

## ANNEX 1 – SIGNED BANK OPERATIONS

**Table 1: Commitments and Net Portfolio by Sector as of June 2005**

Sector	COMMITMENTS (€million)					NET PORTFOLIO (€million)		
	No. of Projects	Total Project Cost	EBRD Funding	EBRD % of Total	Disbursed	No. of Projects	Portfolio	% of Portfolio
<b>Financial Institutions</b>	<b>22</b>	<b>79.2</b>	<b>62.1</b>	<b>35%</b>	<b>45.9</b>	<b>17</b>	<b>27.0</b>	<b>31%</b>
<b>Infrastructure</b>	<b>8</b>	<b>152.1</b>	<b>77.8</b>	<b>44%</b>	<b>64.4</b>	<b>7</b>	<b>50.6</b>	<b>59%</b>
<i>Energy</i>	3	65.0	33.9	19%	28.6	3	29.8	35%
<i>Water and Sewage</i>	1	31.7	17.1	10%	17.1	1	12.2	14%
<i>Transport</i>	3	54.2	25.9	15%	17.9	3	8.6	10%
<i>Telecommunications</i>	1	1.3	0.8	0%	0.8	0	0.0	0%
<b>Private Enterprise</b>	<b>6</b>	<b>66.6</b>	<b>37.8</b>	<b>21%</b>	<b>37.6</b>	<b>4</b>	<b>8.4</b>	<b>10%</b>
<i>Agribusiness</i>	5	65.8	37.4	21%	37.4	3	8.0	9%
<i>General Industry</i>	1	0.8	0.4	0%	0.2	1	0.4	0%
<b>Country Total</b>	<b>36</b>	<b>298.0</b>	<b>177.7</b>	<b>100%</b>	<b>147.9</b>	<b>28</b>	<b>86.0</b>	<b>100%</b>

**Table 2: Commitments and Net Portfolio by Class and Investment Type as of June 2005**

	COMMITMENTS (€million)					NET PORTFOLIO (€million)			
	No. of projects	Total Project Cost	EBRD Funding	% of total EBRD	Disbursed	Portfolio	% of Portfolio	Undrawn commitment	Operating assets
<i>Private</i>	29	170.4	104.9	59%	75.1	56.5	66%	16.0	40.5
<i>Public</i>	7	127.6	72.8	41%	72.8	29.5	34%	0.0	29.5
<b>Country Total</b>	<b>36</b>	<b>298.0</b>	<b>177.7</b>	<b>100%</b>	<b>147.9</b>	<b>86.0</b>	<b>100%</b>	<b>16.0</b>	<b>70.0</b>
<i>Sovereign</i>	7	143.6	89.3	50%	89.3	24.8	29%	0.0	24.8
<i>Non-Sovereign</i>	29	154.4	88.5	50%	58.6	61.2	71%	16.0	45.2
<b>Country Total</b>	<b>36</b>	<b>298.0</b>	<b>177.7</b>	<b>100%</b>	<b>147.9</b>	<b>86.0</b>	<b>100%</b>	<b>16.0</b>	<b>70.0</b>
<i>Debt</i>	24	224.6	139.7	79%	127.7	68.9	80%	12.1	56.8
<i>Equity</i>	3	8.7	6.3	4%	6.3	6.3	7%	0.0	6.3
<i>Guarantee</i>	3	4.9	4.9	3%	0.0	2.6	3%	2.6	0.0
<i>Debt+Equity</i>	5	56.1	23.1	13%	13.9	5.3	6%	1.2	4.1
<i>Guarantee+Debt</i>	1	3.7	3.7	2%	0.0	2.9	3%	0.1	2.8
<b>Country Total</b>	<b>36</b>	<b>298.0</b>	<b>177.7</b>	<b>100%</b>	<b>147.9</b>	<b>86.0</b>	<b>100%</b>	<b>16.0</b>	<b>70.0</b>

## ANNEX 2 – POLITICAL ASSESSMENT

### *Compliance with Article 1*

Moldova is committed to and has made progress in applying the principles of multi-party democracy and pluralism in accordance with Article 1 of the Agreement Establishing the Bank. The record on democratic and market reform over the past strategy period has been uneven. However, the ruling Communist Party of Moldova (CPM), which once again won a majority of seats in the recent parliamentary elections, reinforced its commitment to European integration in the course of the campaign. This is a welcome development, as it entails political and economic policy adjustments that, if implemented successfully, would be fully consistent with the Bank's Article 1 mandate.

### *Political Accountability*

According to its Constitution, Moldova is a multi-party parliamentary democracy in which the unicameral Parliament is elected through proportional representation and the President is elected by the Parliament. The President appoints the Prime Minister who forms the Cabinet. The appointments of the Prime Minister and the Cabinet are subject to approval by the Parliament. In principle, the Constitution, as amended in 2000, provides for the separation of powers, checks and balances and an independent judiciary. In practice, the executive has wide powers and checks on executive privilege have been relatively weak.

Moldovan citizens have the right to change their Government through periodic elections held on the basis of universal suffrage. Elections in Moldova generally have been judged free and fair by international observers, though some problems have been noted. The parliamentary election held on 6 March 2005 "generally complied with most OSCE and Council of Europe commitments and other international election standards", according to the International Election Observation Mission (IEOM) organised under OSCE auspices. Overall, "a competitive and pluralistic party system offered voters a genuine choice". Nevertheless, the IEOM report said, elections fell short in some important areas that are central to a competitive election process, such as equal campaign conditions for all contending parties and open media access. The Civic Coalition for Free and Fair Elections, a civil society initiative made up of around 200 non-governmental organisations in Moldova that fielded more than 2,000 independent elections observers, issued an election assessment in broad agreement with the OSCE findings.

The results of the 2005 parliamentary elections returned the incumbent majority party, the CPM to power with 56 out of 101 parliamentary seats, while political opposition took the remaining 45 seats. Although the CPM still dominates the presidency and the Government, the more balanced results of the voting has already induced greater compromise with some elements of the opposition and could in future impose stronger checks and balances in the system.

Moldova has a large NGO sector and civic engagement is strong. However, many NGOs face a difficult operating environment due to financial constraints and institutional obstacles, some of which stem from Government policy. For example, the Government has taken steps to limit NGOs' access to foreign sources of funding and many NGOs

complain of administrative barriers and political pressure from national and local authorities. In some sensitive sectors, such as media freedom and civil/political rights, this is especially problematic. Paradoxically, local and national Government bodies have sought to strengthen civil society by creating several state-sponsored NGOs, which crowd out those believed to be disloyal and compete for scarce funding from official sources.

### ***The Rule of Law***

The Constitution provides for an independent judiciary; however, in practice there have been credible reports of political pressure influencing court decisions and corruption among judges is believed to be widespread. The Constitutional Court, which has exclusive authority in ruling on the constitutionality of all laws and decrees, is regarded as fair and independent.

Corruption is a serious problem. The Transparency International Corruption Perceptions Index for 2004 had Moldova scoring 2.3 out of a possible 10, where ten is least corrupt. That rating is below TI's 3.0 threshold for "rampant" corruption, and is slightly lower than the rating in 2003. Moldova ranks 114th out 146 countries included in the 2004 index. National surveys also show a high incidence of corruption in several spheres of business and social life, though experts suggest the situation may be even more serious than surveys indicate, since many people are reluctant to talk openly about corruption with interviewers. Representatives of SMEs in Moldova report that corruption is a major obstacle to doing business for smaller firms, and this is supported by surveys such as the EBRD/World Bank Business Environment and Enterprise Performance Survey.

As part of its commitments under the EU-Moldova Action Plan, the EGPRSP, and various other Government programmes, the authorities have begun to pay more attention to the problem of corruption and the rule of law. On the former, the two pronged approach articulated by the authorities thus far involves steps to reduce arbitrary state intervention in the economy (through de-regulation) and steps to reform the public sector (shrinking the size of the bureaucracy and creating a professional and well-paid civil service). On the latter, the EU-Moldova Action Plan calls for the strengthening of law enforcement and increasing the efficiency, independence and impartiality of the judiciary.

### ***Civil and Human Rights***

The Government of Moldova generally adheres to its Council of Europe and OSCE commitments to uphold democratic standards of governance and to guarantee protection of human and civil rights. The Constitution provides for freedom of speech and press, freedom of assembly, association, and religion and these freedoms are generally respected in practice.

The main source of concern is media freedom. Moldova has approximately 80 TV and radio channels officially registered, an increasing number of which are private. However many of them receive significant subsidies from the Government, political patrons and/or commercial interests, and not all of them chose to cover the election campaign. Biased coverage in favour of the incumbent party by public television Moldova 1 and state-owned TeleRadio Moldova during the campaign limited voters' access to information, according to domestic and international election observers. The printed media is diverse and offers a variety of political opinions.

Although Moldova has been cooperating with the Council of Europe on improving the legal framework for the media, some significant problems remain. For example, libel has been decriminalised, in accordance with international standards, however awards in libel cases tried under the civil code can be extremely high. Some media outlets received fines of up to \$100,000 in 2004. For these and other reasons, the US NGO Freedom House rates the media in Moldova as "not free". Under its agreement with some parties in the political opposition that supported the current President, Vladimir Voronin's, re-election bid, the authorities have pledged to strengthen media freedom and reduce the state's role in both broadcast and print media. In keeping with this agreement, the Government liquidated one state newspaper, *Nezavisimaya Moldova*, in May 2005.

### ***External Relations***

The current leadership in Moldova has pursued co-operative relations with all its main international partners, including the CIS, the EU, Russia, Ukraine, Romania and the United States. Moldova is a member of the WTO and the Stability Pact for Southeastern Europe, and participates actively in the GUAM group which includes Georgia, Ukraine, Azerbaijan and Moldova. The Moldovan authorities have shown strong interest in improving ties with Europe and furthering European integration. The EU's European Neighbourhood Policy, offers the possibility of a significant degree of economic integration and political cooperation, which the Government increasingly has embraced. The Government has adopted a "Concept for the Integration of the Republic of Moldova into the EU", and in February 2005 the EU and Moldova adopted the EU-Moldova Action Plan. The EU-Moldova Action Plan covers crucial policy reforms in areas such as strengthening democratic institutions and the rule of law, independence of the judiciary, media freedom, the business environment and structural reform, trade and customs, and trafficking.

The Transnistria conflict has remained frozen, following the loss of support for the federalisation plan pursued throughout 2002 and 2003. Tensions between the breakaway territory and the rest of Moldova were high in 2004, due to the controversial decision taken by the leadership in Tiraspol to close several schools in Transnistria that continued to teach Romanian language using the Latin alphabet. However, immediately following the elections in March 2005, prospects for a settlement began to brighten somewhat. With recent political changes in Ukraine and Romania, as well as the strong pro-European commitments by the new Moldovan Government, the momentum behind a new plan began to grow. The Ukrainian Government, a participant in the five-party framework to resolve the Transnistria problem, proposed a settlement plan in May 2005.

The seven-point plan includes the following:

- Reintegration of Moldova on the basis of unity of territory and democratic governance;
- Preservation of the constitutional order of the Republic of Moldova and legal determination of the special status of Transnistria as an integral part of the Republic of Moldova;
- Respect for the independence, sovereignty and territorial integrity of Moldova within its internationally recognised borders;

- Enshrining fundamental human rights and freedoms;
- Establishment of common legal, economic, defence, social, customs and humanitarian space necessary for the functioning of government;
- Ensuring civil and inter-ethnic understanding, strengthening peace and stability in the region; and
- Final removal of all consequences of the conflict and the creation of a multi-layered system of international mutual guarantees.

The plan calls for implementation over an 18-month period, but there are many issues still to be resolved and keeping to this timetable could prove difficult. The Moldovan Parliament unanimously endorsed the proposal in a vote in mid-June 2005.

## ANNEX 3 – ASSESSMENT OF MOLDOVA'S COMMERCIAL LAWS

The Bank has developed and regularly updates a series of assessments of legal transition in its countries of operations, with a focus on selected areas relevant to investment activities: capital markets, company law and corporate governance, concessions, insolvency, secured transactions and telecommunications. The existing tools assess both the quality of the laws "on the books" (also referred to as "extensiveness") and the actual implementation of laws (also referred to as "effectiveness"). All available results of these assessments can be found at [www.ebrd.com/law](http://www.ebrd.com/law). This annex presents a summary of the results for Moldova, accompanied by critical comments of the Bank's legal experts who have conducted the assessments.

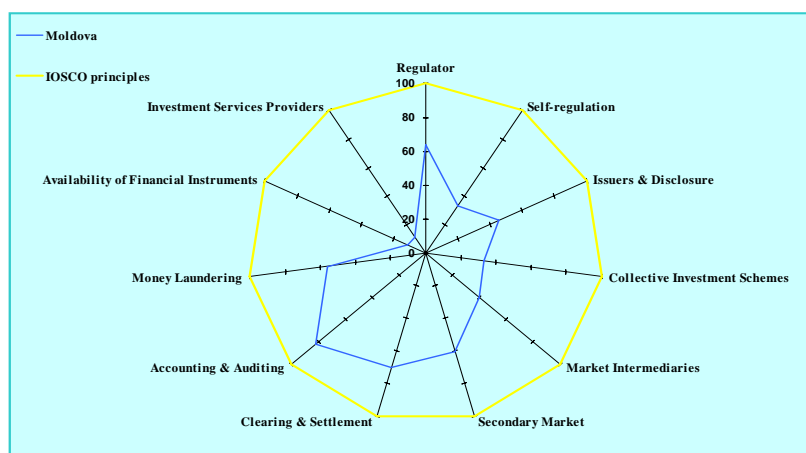
### *Capital Markets*

The principal laws governing the Moldovan capital market are the "Law on Securities Market" of 1998, as amended in 2002, the "Law on the National Securities Commission" of 1998 as amended in 2003, the "Law on Investment Funds" of 1997, as amended in 2002, the "Law on Audit" of 1996, as amended in 2003, and the "Law on Prevention and Combating of Money Laundering" of 2001, as amended in 2003. In addition, in April 2005, a new law on leasing, drafted with the Bank's assistance, was approved by the Parliament.

The regulator for the Moldovan securities market is the National Commission for Securities of Moldova (MNCS). The Moldova Stock Exchange was established in December 1994 and trading began in 1995. However, trading activity remains low and the market is substantially under-developed.

When the Bank benchmarked the Moldovan securities markets legislation against the "*Objectives and Principles of Securities Regulation*" published by the International Organisation of Securities Commissions (IOSCO) in its 2004 Securities Market Legislation Assessment, the results demonstrated that its legislation is in "*low compliance*" with international standards (see chart below).

Quality of securities market legislation –Moldova (2004)



*Note:* The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in IOSCO's *Objectives and Principles for Securities Regulations*. The fuller the 'web', the closer the relevant securities market legislation of the country approximates these principles.

*Source:* EBRD Securities Market Legislation Assessment 2004

Among the various shortcomings evidenced, the MNCS is not fully independent and the provisions concerning its supervision on the market need improvement. The MNCS can impose fines but they are largely inadequate. Also, legislation on self-regulatory organisations (SROs) is partly inadequate and no procedure exists to ensure that SROs exercise their power in the public interest and to ensure cooperation with the regulator for enforcement of applicable laws and regulations.

No contingency plans or other measures are in place to protect investors in case of an intermediary's insolvency, market disruption or system failure. There are no provisions in place against front running and no mechanisms for identification of large exposures. Only few regulated and defined financial instruments are available and investment service providers are not specifically defined and regulated.

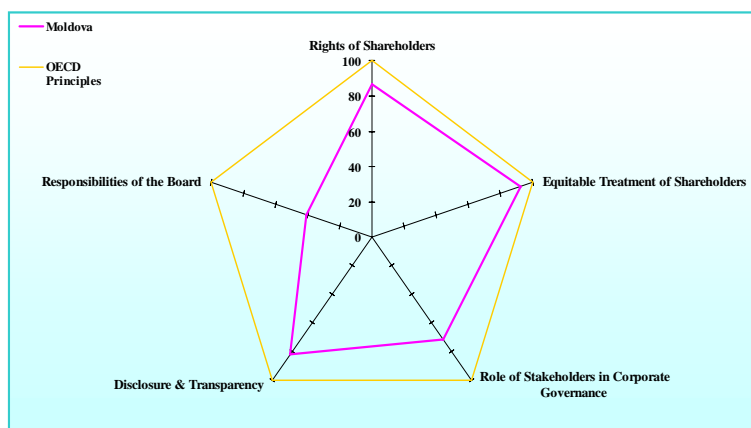
### ***Company Law and Corporate Governance***

The Law on Joint Stock Companies (the JSC Law) was adopted in 1997 and has been amended several times since then, most recently in December 2002.

In 2003 the MNCS issued a statement on the importance of corporate governance in Moldova but so far, no actions have been undertaken. The drafting of a corporate governance code by the MNCS is still at an early stage.

In 2003, the Bank conducted an assessment on the extensiveness (i.e. "law in the books") of Corporate Governance in which Moldova was rated "high compliance" when benchmarked with the OECD Principles of Corporate Governance. Notwithstanding the good rate achieved, some shortcomings in the laws on the books still remain. In particular, the law does not require that, within the same class, shareholders have the same voting rights. As evidenced by the chart below, the duties of the board are not clearly defined. There are no binding provisions concerning non-executive directors and specific committee in charge of financial reporting, executive and board remuneration and nomination. The authority of the board to increase the authorised capital by up to 50% of its value, as of the last general meeting of shareholders, and issue shares, without a shareholders vote is against international principles and can be used for minority shareholding dilution practices.

**Quality of corporate governance legislation – Moldova (2003)**



*Note:* The extremity of each axis represents an ideal score, i.e., corresponding to OECD Principles of Corporate Governance. The fuller the 'web', the more closely the corporate governance laws of the country approximate these principles

*Source:* EBRD Corporate Governance Sector Assessment 2003

The mandatory annual external audit provisions raise concern: it was compulsory till 2001 for JSCs with more than 50 shareholders, then it was first limited to JSCs with more than 300 shareholders and in the end it was abolished.

Nominee ownership is allowed by law and does not positively contribute to disclosure of ultimate ownership and control positions, to the control of cross-shareholdings or to the transparency of the market for corporate control.

### ***Telecommunications***

The telecommunications sector is currently governed by the Telecommunications Law of 1995, as amended through to 2001, and is regulated by ANRTI. ANRTI was established by decision of the Government in 2000 and is responsible for licensing, establishing interconnection principles and rules, allocating radio frequencies and settling disputes between operators. The policy maker for the sector is the Ministry of Transport and Communication.

State-owned Moldtelecom is the primary provider of fixed telephony services. As part of Moldova's accession to the World Trade Organisation (WTO), Moldtelecom lost its legal exclusivity over local, long distance and international fixed line telephony in January 2004, in line with the requirements of the WTO "Reference Paper" on telecommunications. Notwithstanding the loss of this exclusivity, Moldtelecom still dominates the country's fixed-line sector. While a number of alternative operators are currently licensed to offer fixed-line services in Moldova, only two currently offer such services.

The Government has made a number of unsuccessful attempts to sell the state holding in Moldtelecom. The most recent was in 2002 which concluded with a rejection by the Government of an offer by the only bidder, Moscow City Telephone Network (MGTS). The self-styled breakaway Dniester Moldovan Republic has been conducting its own sector reform and privatisation programme with the publicly held Trans-Dniester Telecom being sold in 2003 to a regional operator of fixed-line, mobile and Internet services.

The Government has recently decided that a third mobile licence to include rights to provide third-generation (3G) services will be offered by public tender during 2005 following the invalidation of a previous attempt by the Government to award this licence directly to the Transdnestr operator, InterDnestrCom.

The key to sector development and the achievement of sector targets is liberalisation and private sector-led provision of services. Whilst the Government appears to have made strides towards reform of the sector to date, much will depend upon the practical implementation of those reforms. While liberalisation is formally in place, the dominance of Moldtelecom in the market for fixed line services means that competition will take time to become effective and meaningful. To encourage new operators (and therewith investment) into the market the authorities will now need to ensure the full and timely implementation of the necessary secondary legislation and regulatory mechanisms. In particular, the Government will need to ensure that there is appropriate support for ANRTI in its implementation of sector reform initiatives and that its independence is enhanced and protected. Further measures will include continuation with the tariffing



programme and full implementation of an interconnection regime best suited to a market at the early stages of liberalisation. Additionally, the authorities should ensure that the forthcoming licensing of a third mobile operator is carried out in a fair, transparent and non-discriminatory manner, according to international best practices.

### **Concessions**

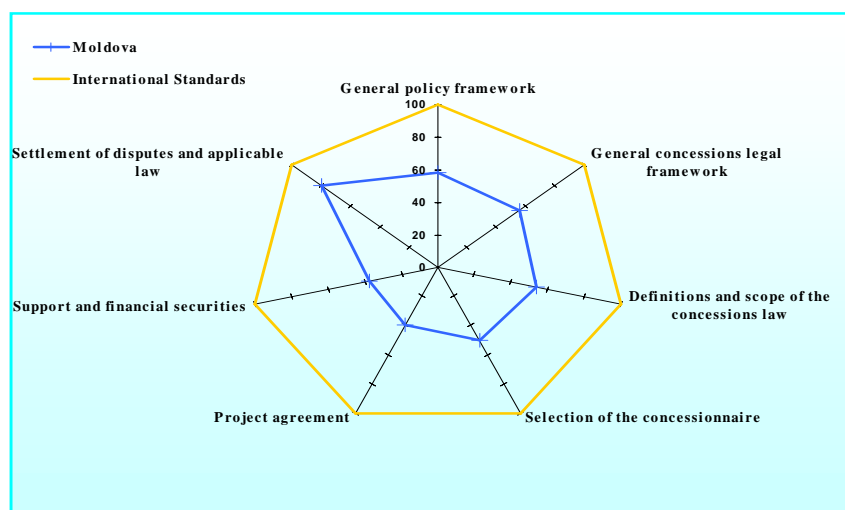
Moldova has a special Law on Concessions of 1995, as amended in 1999 and 2002 (the Concessions Law). The scope of application of the Concessions Law and rules regulating the selection procedure are clear and the concession definition includes the notion of a "risk". Another positive feature is that it is one of the few laws in the region that expressly refers to the grantor's participation in concession company's bodies.

Under the Concessions Law, any company or individual, domestic or foreign, save for a state or a municipal entity, may be a concessionaire. The Concessions Law does not provide for a list of sectors that may be developed on a concession basis. Instead, it states that concession arrangements are permitted in any sector and activity to the extent this does not contradict the laws of Moldova.

The concessionaire's right to compensation is provided for by means of court procedures. According to the Concessions Law, disputes may be resolved either by court proceedings or by arbitration (including international). The Concessions Law provides for the right of concession granting authorities to unilaterally change the terms of a concession agreement on certain specific grounds listed in the Concessions Law. Unfortunately, the grounds for termination, however, seem vague.

A clear disadvantage of the Concessions Law is that any transfer by a concessionaire of concession assets/rights is prohibited. This statutory restriction inevitably limits financing options. Certain provisions in relation to the project agreement may give rise to inflexibility in negotiations. Worrying too is the fact that the Concessions Law contains no specifications on security interests to be created by the concessionaire or on lender's rights.

**Quality of concession legislation –Moldova (2004)**



*Note:* the extremity of each axis represents an ideal score in line with international standards such as the UNCITRAL Legislative Guide for Privately Financed Infrastructure projects. The fuller the 'web', the more closely concessions laws of the country approximate these standards.

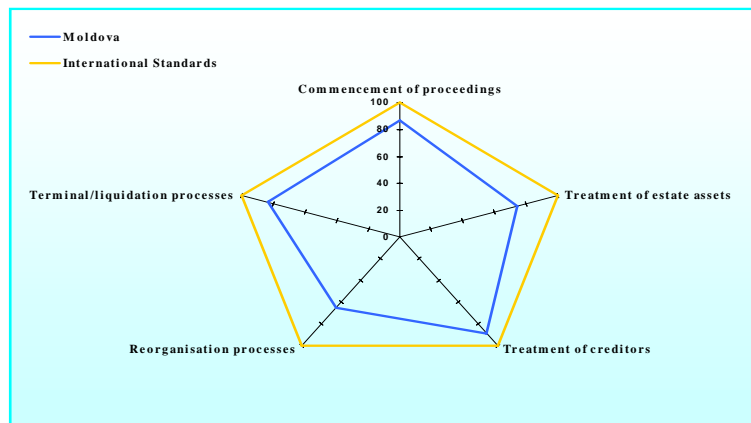
*Source:* EBRD Concessions Sector Assessment 2004

The Bank recent Concession Laws Assessment project undertaken to evaluate applicable regime throughout the 27 countries of Bank operations (the laws on the books only rather than how they work in practice), revealed that Moldovan laws had "medium compliance" with internationally accepted standards in this sector. As can be seen from the chart above, while rules covering settlement of disputes in concession-related arrangements, for instance, are regulated fairly extensively, most other areas, and in particular, project agreements and availability of financial instruments and state support need to be further improved in order to meet requirements of modern legal framework facilitating private sector participation.

### ***Insolvency***

Bankruptcy and insolvency in Moldova are governed primarily by the Law on Insolvency of the Republic of Moldova (2001) (as amended) (the Insolvency Law), one of the leading insolvency laws in the Bank's countries of operations. In the Bank's 2003-04 Sector Assessment Survey, which measured the compliance of insolvency legislation with international standards, the Insolvency Law was one of only 6 laws to receive an overall score of "high compliance".

**Quality of insolvency legislation –Moldova (2004)**



*Note:* The extremity of each axis represents an ideal score, i.e., corresponding to the international standards such as the World Bank's Principles and guidelines for Effective Insolvency and Creditor Rights Systems, the UNCITRAL Working Group on "Legislative Guidelines for Insolvency Law", and others. The fuller the 'web', the more closely insolvency laws of the country approximate these standards.

**Source:** EBRD Insolvency Sector Assessment Project, 2003/4

The Insolvency Law is one of few in the Bank's countries of operations that effectively deals with the avoidance of pre-bankruptcy transactions. This law provides sufficient detail to determine which types of transactions will be subject to challenge and the circumstances that must be established to effect such a challenge. Although reorganisation processes were the weakest area of performance for this legislation (see above chart), it still provides for a relatively well-designed reorganisation process.

The results of the Bank 2004 Legal Indicator Survey on Insolvency showed that for debtors and creditors seeking to commence insolvency proceedings in Moldova, it is relatively easy to determine which court such proceedings should be commenced and the degree of formality required to access the insolvency process does not present a huge obstacle. The process, however, is seen as far too expensive and the courts cannot generally be relied upon to deal with insolvency matters in a predictable and competent manner.

The survey also revealed that in general, it is somewhat easier for debtors to access insolvency systems in Moldova than creditors. This is consistent with most of the Bank's countries of operations and reflects, in part, the fact that the initial access of the insolvency regime by creditors is usually quite contentious. Debtors, by contrast, can often commence proceedings and obtain an initial order under the insolvency regime with little notice to creditors and, therefore, without the need for protracted court proceedings.

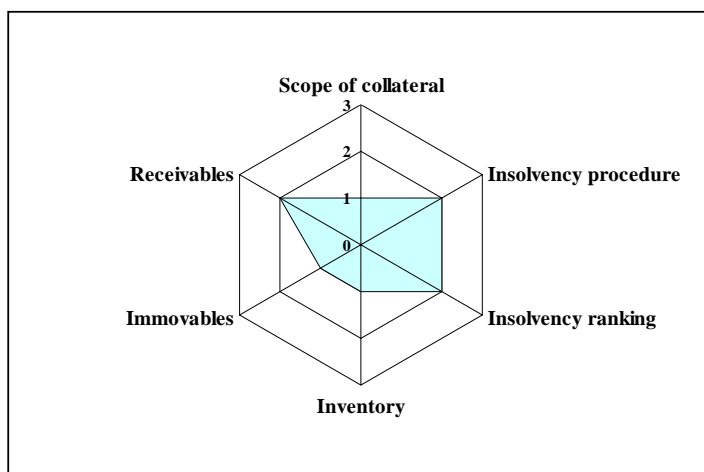
### ***Secured Transactions***

The secured transactions legal regime in Moldova is quite unique in the region in that whereas the legal provisions are generally sound, the users are somehow reluctant to use them to their full potential and there remain considerable problems with enforcement of security rights, which of course acts as a deterrent for its use in practice.

Security over movable assets and immovable assets is governed by the Law on Pledge of 30 July 2001, which entered into force on 1 November 2001. It was partly prepared with the assistance of the Bank, GtZ and others, and was aimed at dealing with a number of concerns and deficiencies identified through the use of the 1996 Law. After quite convoluted efforts, in 2002, the Government approved an Order on the Register of Pledged Movable Assets and Regulations on the Register providing more detailed rules on the functioning of a new register and the registration procedure. The registry is operated by the Ministry of Justice and entries are made at notary offices. Although it is said to be far from perfect, the system seems to be working. The biggest drawback is enforcement of the security.

In 2003, Bank conducted a survey on the enforcement of charges in its countries of operations and Moldova scored quite low: the time needed to enforce the security, the return on proceeds and steps involved were far from satisfactory. The graph below illustrates the main problems: courts and bailiff system are not well equipped in handling the process and there are reported corruption problems.

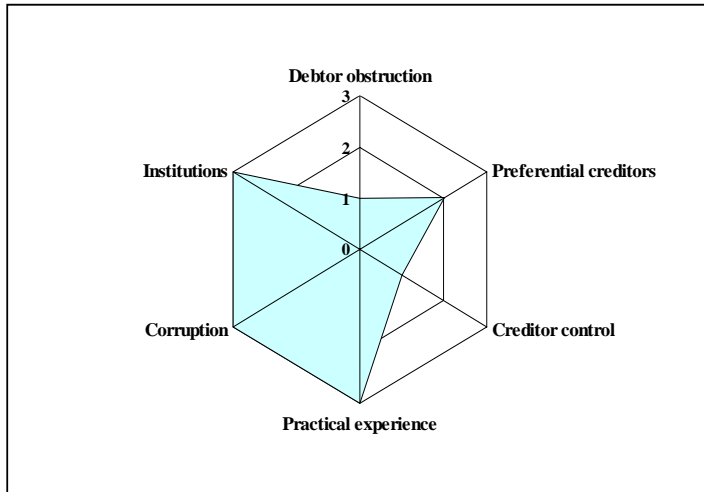
**Obstacles to charge enforcement process – Moldova (2003)**



### **Scope**

*Note:* The fuller the half moons, the more serious the problems are in each of the respective categories. "Scope" factors relate to the ability of the system to deal with specific situations or items.

*Source:* EBRD Legal Indicator Survey 2003



## Process

*Note:* The fuller the half moons, the more serious the problems are in each of the respective categories. “Process” factors measure the impact of specific incidences on the enforcement proceedings.

*Source:* EBRD Legal Indicator Survey 2003

As far as mortgages are concerned, the Pledge Law provides for basic, sufficient rules and the Land cadastre has recently been fully updated and computerised. However, the market feels unsure in the way the system can operate and there is a unanimous call for the development of a new mortgage law. Bank is currently assessing the feasibility of technical assistance in this respect.

## **ANNEX 4 – ENVIRONMENT**

The Bank's environmental approach in Moldova is complementary to that of other organisations, given the Bank's private sector perspective. The WB focus its environmental interventions in the area of sustainable agriculture and biodiversity conservation by implementing a biodiversity conservation project in the lower Dniestr River, a soil conservation project and an agricultural pollution control project. These projects address soil contamination and degradation, deforestation and nutrient discharge from agricultural sources to the Danube River and the Black Sea. The Black Sea Investment Facility, a TACIS funded initiative, aims to alleviate pollution of the Black Sea by supporting waste water treatment projects in Moldova, Georgia, Ukraine and Russia.

The Bank has a three-prong approach to supporting environmentally sound and sustainable development in Moldova. Firstly, the Bank ensures that its local partner banks implement environmental due diligence procedures and thus support environmentally sound projects. Secondly, the Bank ensures that new stand-alone projects comply with the Bank's Environmental Procedures and Public Information Policy and incorporate, where appropriate, Environmental Action Plans into the legal documentation in order to address issues raised during due diligence. Thirdly, the Bank implements ad hoc environmental projects to address specific concerns. For instance, through its Electricity Safety Technical Cooperation Project, funded by the Canadian Government, the Bank aims to reduce the high incidence of fatalities from electrocution. The majority of these fatalities involve members of the general public, often children. The Bank works with relevant ministries in Moldova to create an inter-ministerial working group on electrical safety and involves the electricity distribution companies in the initiative. The project aims to improve operational safety in the electricity supply and distribution sector by increasing capacity building and transferring know-how from countries which have significantly lower accident rates. The project also aims to raise public awareness by establishing a national electrical safety week and by providing education for school children and training on electrical safety for teachers, electrical inspectors and labour safety inspectors. This programme and the materials prepared for it are designed to be replicable in other countries, once adapted for language and culture.

## ANNEX 5 – SELECTED ECONOMIC INDICATORS

<b>Moldova</b>											
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	<i>Estimate Projection</i>										
<b>Output and expenditure</b>	<i>(Percentage change in real terms)</i>										
GDP	-1.4	-5.9	1.6	-6.5	-3.4	2.1	6.1	7.8	6.6	7.3	5.5
Private consumption	0.4	11.2	5.0	5.1	-13.8	27.6	6.1	5.9	17.0	na	na
Public consumption	24.3	-2.5	12.7	-18.9	-28.1	-17.9	-5.8	31.4	-0.7	na	na
Gross fixed capital formation	-14.9	-8.3	-0.2	1.5	-14.7	-0.7	5.2	1.1	8.7	na	na
Exports of goods and services	25.5	13.9	21.3	-22.1	-22.7	6.8	15.7	14.5	19.3	na	na
Imports of goods and services	27.7	29.7	23.0	-11.0	-36.4	29.8	11.1	16.1	34.6	na	na
Industrial gross output	-3.9	-6.5	0.0	-15.0	-11.6	7.7	13.7	10.8	15.6	6.9	na
Agricultural gross output	1.9	-11.9	11.4	-11.6	-8.4	-3.3	6.4	3.4	-13.6	20.4	na
<b>Employment</b>	<i>(Percentage change)</i>										
Labour force (annual average)	-0.3	-0.6	-0.9	-0.7	1.4	-1.7	-2.3	-0.1	-8.8	-3.3	na
Employment (annual average)	-0.5	-0.8	-0.8	-0.2	-9.0	1.4	-1.0	0.4	-9.9	-3.4	na
Unemployment (annual average) 1/	na	na	na	10.1	11.1	8.5	7.3	6.8	7.9	8.0	na
<b>Prices and wages</b>	<i>(Percentage change)</i>										
Consumer prices (annual average)	30.2	23.5	11.8	7.7	39.3	31.1	9.6	5.2	11.6	12.4	11.4
Consumer prices (end-year)	23.8	15.1	11.2	18.3	43.7	18.4	6.3	4.4	15.7	12.5	9.8
Producer prices (annual average)	54.0	32.0	20.0	9.7	44.0	28.5	12.3	4.7	7.8	5.6	na
Producer prices (end-year)	46.6	20.4	13.6	13.6	58.6	24.3	5.7	6.7	9.2	4.9	na
Gross average monthly earnings in economy (annual average)	32.1	30.7	17.5	13.9	21.6	33.9	33.3	27.2	28.8	23.9	na
<b>Government sector 2/</b>	<i>(In per cent of GDP)</i>										
General government balance (commitment basis)	-6.7	-8.0	-10.5	-7.4	-6.2	-1.8	-0.3	-2.2	1.1	0.4	-0.7
General government expenditure	46.2	43.8	49.0	44.9	36.6	34.5	29.4	31.5	33.3	35.7	34.2
General government debt	7.4	57.1	63.7	108.5	103.3	91.7	78.4	73.1	58.9	46.0	41.2
<b>Monetary sector</b>	<i>(Percentage change)</i>										
Broad money (M2, end-year)	32.3	1.4	21.1	-34.1	-7.2	17.4	29.6	24.9	7.6	28.6	na
Domestic credit (end-year)	64.7	18.8	26.8	29.2	18.1	14.4	29.6	25.2	24.3	25.8	na
Broad money (M2, end-year)	17.1	16.6	19.5	14.9	14.7	15.7	18.2	20.0	20.4	25.4	na
<b>Interest and exchange rates</b>	<i>(In per cent per annum, end-year)</i>										
Refinancing rate	21.0	19.5	16.0	32.7	31.0	27.0	13.0	9.5	14.0	14.5	na
Treasury bill rate 3/	43.7	37.1	23.3	29.1	28.6	22.1	14.5	5.8	15.1	11.6	na
Deposit rate 4/	32.5	22.0	23.2	21.0	27.4	24.6	20.6	14.4	12.7	15.2	na
Lending rate 4/	41.9	35.3	32.8	30.1	35.5	33.3	28.5	23.1	19.2	21.0	na
Exchange rate (end-year)	4.5	4.7	4.7	8.3	11.6	12.4	13.1	13.8	13.2	12.5	12.9
Exchange rate (annual average)	4.5	4.6	4.6	5.4	10.5	12.4	12.9	13.6	13.9	12.3	12.8
<b>External sector</b>	<i>(in millions of US dollars)</i>										
Current account	-115	-188	-275	-335	-68	-98	-25	-67	-130	-113	-133
Trade balance	-55	-252	-348	-388	-137	-294	-313	-378	-623	-758	-800
Merchandise exports	739	823	890	644	474	477	567	660	805	995	1,050
Merchandise imports	794	1,075	1,238	1,032	612	770	880	1,038	1,429	1,754	1,850
Foreign direct investment, net	25	23	78	75	38	127	102	132	71	148	90
Gross reserves (end-year), excluding gold	257	312	366	143	186	222	229	269	302	470	522
External debt stock	668	1,065	1,285	1,451	1,495	1,721	1,675	1,815	1,925	1,924	2,000
Gross reserves (end-year), excluding gold	3.0	3.0	3.1	1.4	2.8	2.7	2.5	2.5	2.1	2.6	2.7
Debt service	9.9	5.5	13.0	25.0	32.5	16.4	16.8	14.0	13.1	10.6	10.5
<b>Memorandum items</b>	<i>(Denominations as indicated)</i>										
Population (end-year, millions) 5/	4.3	4.3	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.4
GDP (in millions of Lei)	6,480	7,798	8,917	9,122	12,322	16,020	19,052	22,556	27,619	31,992	37,599
GDP per capita (in US dollars)	332	391	528	465	321	353	407	458	547	719	868
Share of industry in GDP (in per cent)	25.0	26.9	25.0	19.9	20.3	19.0	21.8	20.2	20.9	na	na
Share of agriculture in GDP (in per cent)	29.3	27.5	26.0	25.8	24.9	25.4	22.4	21.0	19.1	na	na
Current account/GDP (in per cent)	-8.0	-11.1	-14.2	-19.7	-5.8	-7.6	-1.7	-4.0	-6.6	-4.4	-4.5
External Debt - Reserves, in US\$ millions	411.5	753.0	919.0	1308.4	1309.3	1498.2	1446.5	1546.0	1622.3	1454.2	1477.7
External Debt/GDP (in per cent)	46.3	62.8	66.6	85.4	127.6	133.6	113.1	109.2	97.2	74.2	68.1
External Debt/ exports of goods and services (in per cent)	77.2	113.7	121.5	182.4	245.1	268.3	226.9	207.1	181.7	146.1	142.2

Notes:

1/ According to ILO methodology

2/ Consolidated accounts of the Republican government and the local authorities until 2002.

3/ Average yield of T-bills.

4/ Weighted average rate

5/ Excluding the population of Transnistria

## ANNEX 6 – TECHNICAL CO-OPERATION PROGRAMME

**Table 1: Technical Co-operation by Sector as of June 2005**

Sector	€Committed	€Disbursed
Financial Institutions	3,068,681	3,028,548
Infrastructure	3,428,664	3,193,664
Private Enterprise	4,254,377	3,309,548
Legal Transition	834,395	781,237
<b>Country Total</b>	<b>11,586,117</b>	<b>10,312,996</b>

**Table 2: Technical Co-operation by Donor as of June 2005**

Donor	€Committed	€Disbursed
Belgium-Flanders	12,770	12,770
Canada	340,901	105,901
Denmark	120,692	58,299
EU	4,865,444	4,160,344
France	320,886	320,886
Germany	549,281	549,281
Greece	128,946	128,946
Italy	85,500	30,665
Italy-Central European Initiative	205,500	115,025
Japan	2,330,002	2,330,002
Netherlands	341,971	341,971
Switzerland	436,973	405,267
Taipei China	420,512	420,512
UK	401,218	369,192
US	745,847	745,847
Multi-donor Fund	142,059	120,607
Financial Sector Fund	137,616	97,482
<b>Country Total</b>	<b>11,586,117</b>	<b>10,312,996</b>

**Table 3: Technical Co-operation as of June 2005**

Reference	Commitment Name	€Committed	€Disbursed	Stage	Linked to Project
JAP-1994-02-04	Energy efficiency improvement study	140,085	140,085	Closed	Moldova Energy Efficiency, Chisinau District Heating Company Termocom
GERK-1995-12-01	Heat tariff study	173,818	173,818	Closed	Moldova Energy Efficiency, Chisinau District Heating Company Termocom
JAP-1996-07-18	Development of commercial management systems - Termocom	447,941	447,941	Closed	Moldova Energy Efficiency, Chisinau District Heating Company Termocom
	<i>Subtotal</i>	<i>761,844</i>	<i>761,844</i>		
HOL-1994-03-06	International audit for Victoria Bank	48,828	48,828	Closed	Victoria Bank Credit Lines and Equity Investment
UKB-1994-07-08	International audit for Victoria Bank	13,743	13,743	Closed	Victoria Bank Credit Lines and Equity Investment
ECT-1995-06-13	Credit adviser for Victoria Bank	204,669	204,669	Closed	Victoria Bank Credit Lines and Equity Investment
	<i>Subtotal</i>	<i>267,240</i>	<i>267,240</i>		
FRB-1993-06-07	Wine quality improvement and export promotion	172,191	172,191	Closed	Wine Export Promotion Project
HOL-1993-06-08	Wine sector investment programme - wine export packaging development	181,512	181,512	Closed	Wine Export Promotion Project
HOL-1994-03-05	Wine export promotion - project preparation of implementation framework	86,102	86,102	Closed	Wine Export Promotion Project
EC-1994-09-39	Wine export promotion - short-term expertise	222,935	222,935	Closed	Wine Export Promotion Project
JAP-1994-10-39	Wine export promotion	737,118	737,118	Closed	Wine Export Promotion Project
TAI-1997-08-06	Moldova wine investment framework facility	19,696	19,696	Closed	Wine Export Promotion Project
TCS-1998-09-07	Wine export promotion project	18,752	18,752	Closed	Wine Export Promotion Project
TAI-1999-08-08	Wine export promotion project	232,133	232,133	Closed	Wine Export Promotion Project
	<i>Subtotal</i>	<i>1,670,439</i>	<i>1,670,439</i>		
ECT-1995-06-08	Credit adviser for Moldova – Agroindbank	216,281	216,281	Closed	Moldova Agroindbank Credit Lines and Equity Investment
ECT98-98-12-51	Moldova Agroindbank senior convertible loan	249,571	249,571	Closed	Moldova Agroindbank Credit Lines and Equity Investment
MOLF-2003-12-01	MAIB Institutional Building Advisor	137,616	97,482	Disbursing	Moldova Agroindbank Credit Lines and Equity Investment



Reference	Commitment Name	€Committed	€Disbursed	Stage	Linked to Project
	<i>Subtotal</i>	<i>603,468</i>	<i>563,334</i>		
ECT-1995-06-10	Road rehabilitation design study	273,861	273,861	Closed	Moldova Road rehabilitation Project
JAP-1995-12-34	Assessment of road needs	324,075	324,075	Closed	Moldova Road rehabilitation Project
ECT97-2000-08-72	Pavement management systems	411,557	411,557	Closed	Moldova Road rehabilitation Project
	<i>Subtotal</i>	<i>1,009,494</i>	<i>1,009,494</i>		
TAI-1995-09-03	Advice on privatisation, legislation and policy - Moldtelecom - sector policy and regulatory development	93,272	93,272	Closed	
JAP-1995-11-31	Advisory services for the privatisation of Moldtelecom through an international competitive tender	470,000	470,000	Closed	
	<i>Subtotal</i>	<i>563,272</i>	<i>563,272</i>		
SWI-1995-09-04	Micro-lending scoping mission	42,602	42,602	Closed	Micro Lending Project
USAD-96-08-01PS	Swiss-American Micro Enterprise Programme	745,847	745,847	Closed	Micro Lending Project
SWI-96-09-03PS	Swiss-American Micro-Enterprise Programme	331,805	331,805	Closed	Micro Lending Project
	<i>Subtotal</i>	<i>1,120,254</i>	<i>1,120,254</i>		
UKB-1995-11-18	Assistance in developing a secured transactions law for Moldova	24,961	24,961	Closed	Legal Transition
UKB-1998-05-05	Assistance with the establishment of a registry for pledges (local consultants)	35,502	35,502	Closed	Legal Transition
UKB-1998-05-06	Assistance with the establishment of a registry for pledges	48,094	48,094	Closed	Legal Transition
BRSF-2003-10-03	Moldova : Improving Leasing Transactions Related Legislation	100,000	78,548	Disbursing	Legal Transition
SCRF-2004-12-02	Mortgage Transactions Reform in Moldova - Exploratory Project	62,566	30,860	Disbursing	Legal Transition
	<i>Subtotal</i>	<i>271,123</i>	<i>217,965</i>		
UKB-1998-03-03	TurnAround Management Programme - Floare Carpet SA	10,296	10,296	Closed	TAM Programme
DEN-1998-03-02	TurnAround Management Programme - Floare-Carpet SA	35,192	35,192	Closed	TAM Programme
ECT2000-2001-02-01/05	TurnAround Management (TAM) - Orhei-Vit SA	85,500	67,964	Disbursing	TAM Programme
ECT2000-2001-02-01/08	TurnAround Managment Programme - Floarea Soarelui SA	31,500	3,123	Disbursing	TAM Programme
ECT2000-2001-02-01/20	TurnAround Managment Programme - Pielart JSC	31,500	17,548	Disbursing	TAM Programme
ECT2000-2001-02-01/34	TurnAround Management Programme - Air Moldova SRL	85,500	84,720	Committed	TAM Programme
ECT98-2000-10-72/16	TurnAround Management Programme - Pielart JSC	39,086	39,086	Closed	TAM Programme

Reference	Commitment Name	€Committed	€Disbursed	Stage	Linked to Project
ECT99-2001-09-91/06	TurnAround Management Programme - Macon JSC	85,500	46,403	Disbursing	TAM Programme
TAI-1998-10-08	TurnAround Management Programme - Moldova metallurgical works (tied portion)	15,604	15,604	Closed	TAM Programme
TAI-1998-10-09	TurnAround Management Programme - Moldova metallurgical works	59,808	59,808	Closed	TAM Programme
UKB-1998-10-20	TurnAround Management Programme - Moldova Metallurgical Works	14,874	14,874	Closed	TAM Programme
ECT99-99-08-04/14	TurnAround Management Programme - Moldova Metallurgical Works II	85,500	38,142	Committed	TAM Programme
JAP-1997-07-17	TurnAround Management Programme - JSC Tirotex	11,500	11,500	Closed	TAM Programme
FLN-1997-08-01	TurnAround Management Programme - Tirotex	5,350	5,350	Closed	TAM Programme
UKB-1998-09-17	TurnAround Management Programme - JSC Tirotex II	87,312	87,312	Closed	TAM Programme
UKB-1998-11-23	TurnAround Management Programme - JSC Tirotex	29,054	29,054	Closed	TAM Programme
FLN-1997-10-02	TurnAround Management Programme - Moldavizolit	7,420	7,420	Closed	TAM Programme
HOL-1997-10-07	TurnAround Management Programme - Moldavizolit	15,275	15,275	Closed	TAM Programme
JAP-1998-01-01	TurnAround Management Programme - Moldavizolit	5,766	5,766	Closed	TAM Programme
FRB-1997-12-04/02	TurnAround Management Programme - Vitis Hincesti SA	66,387	66,387	Closed	TAM Programme
UKD-1999-04-06	TurnAround Management Programme - Vitis Hincesti SA	14,621	14,621	Closed	TAM Programme
CEI-2002-06-01/08	TurnAround Management Programme - Cricova Acorex	60,000	56,602	Committed	TAM Programme
DEN-2004-06-04	TAM - Orvento Metal Trading	85,500	23,107	Committed	TAM Programme
ITA-2004-06-05	TAM - Acorex Wine Holding	85,500	30,665	Committed	TAM Programme
CEI-2002-06-01/10	TAM - Codru	85,500	17,385	Committed	TAM Programme
CEI-2002-06-01/09	TAM Programme - CEI TAM Privatisation Support	60,000	41,038	Committed	TAM Programme
NLT-2004-02-01	Feasibility Study for a BAS Programme in Moldova	10,254	10,254	Closed	TAM Programme
ETCF-2005-04-08F	Implementation of the BAS Programme during 2005-2007 (3 years)	558,000	0	Committed	TAM Programme
	<i>Subtotal</i>	<i>1,767,299</i>	<i>854,495</i>		
ECT96-97-01-37	Chisinau water services - corporate development assistance	799,729	799,729	Closed	Chisinau Water Services Rehabilitation Project, Apa Canal

Reference	Commitment Name	€Committed	€Disbursed	Stage	Linked to Project
ECT99-2000-03-35	Chisinau Water Services Corporate Development Assistance	220,134	220,134	Closed	Chisinau Water Services Rehabilitation Project, Apa Canal
	<i>Subtotal</i>	<i>1,019,863</i>	<i>1,019,863</i>		
UKB-1997-11-20	Moldovan metallurgical works	90,735	90,735	Closed	
TCS-1997-11-08	Moldovan metallurgical works - environmental assessment	23,307	23,307	Closed	
CAN-1998-01-01	Moldovan Metallurgical Works - legal advice	25,901	25,901	Closed	
	<i>Subtotal</i>	<i>139,943</i>	<i>139,943</i>		
CAN-1999-05-03	Legal due diligence equity warehouse project	50,000	50,000	Closed	Moldova Power Distribution Equity Investment
GRE-1999-06-01	Power Distribution Equity Warehouse: Technical, Financial, Environmental Due Diligence	128,946	128,946	Closed	Moldova Power Distribution Equity Investment
JAP-1999-06-11	Power distribution equity warehouse - technical, financial, environmental due diligence	57,940	57,940	Closed	Moldova Power Distribution Equity Investment
JAP-1999-06-12	Legal due diligence equity warehouse project - legal due diligence	96,397	96,397	Closed	Moldova Power Distribution Equity Investment
JAP-1999-10-17	Power distribution equity warehouse - legal due diligence	39,180	39,180	Closed	Moldova Power Distribution Equity Investment
	<i>Subtotal</i>	<i>372,463</i>	<i>372,463</i>		
ECT2000-2001-10-13	Micro Enterprise Credit DIN S.A. (MEC), Moldova - Expansion of Office/Branch Network	578,285	578,285	Closed	MEC Moldova S.A.
EIPF02-2003-08-06	MEC Moldova - Management and Regional Expansion	299,436	299,436	Closed	MEC Moldova S.A.
GERK-2003-06-01	MEC Moldova - Management and Regional Expansion	200,000	200,000	Closed	MEC Moldova S.A.
	<i>Subtotal</i>	<i>1,077,720</i>	<i>1,077,720</i>		
FRB-1994-06-03	Solar energy and demand - side pre-feasibility study	49,979	49,979	Closed	
CA3F-2004-08-03	Moldova Electrical Safety	265,000	30,000	Disbursing	
GER-1995-01-01	Wholesale market feasibility study	175,463	175,463	Closed	
UKD-2004-10-05	Orhei Vit Technical & Financial Due Diligence	32,026	0	Committed	DIF Orhei Vit
ECT96-96-10-06	Investment led privatisation programme	386,900	386,900	Closed	
FRB-1994-04-01	Agro-processing and food distribution	32,329	32,329	Closed	
	<b>Country Total</b>	<b>11,586,117</b>	<b>10,312,996</b>		

